

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Re-Focus, Inc.
REPORT ON CONTRACT COMPLIANCE
Calendar Year 1998

EXECUTIVE SUMMARY

The prior audit report for Re-Focus, Inc. issued March 19, 1998 by the Bureau of Audits, cited three recommendations that have been implemented.

Our audit for the contract years 1993 through 1998 disclosed the following:

1. A net settlement of \$227 is due to the Department of Human Services from the provider as a result of excess per diem rates, for the period under review.
2. There were excess funds of \$335,692 in the provider's Day, Waiver, and Semi-Independent Residential Programs that should be recovered by the Department of Mental Health, Retardation and Hospitals or reprogrammed in accordance with applicable contract provisions and policy.

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

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January 24, 2001

Ms. Christine Ferguson, Director
Department of Human Services
600 New London Avenue
Cranston, RI 02920

Dear Ms. Ferguson:


We have examined the cost report submitted by Re-Focus, Inc. for the calendar year 1998. We audited the most current year and reviewed the cost reports for 1993 through 1997 to settle those years for the following DHS funded Intermediate Care Facilities for the Mentally Retarded (ICF/MR):

<u>Facility</u>	<u>License Number</u>
Bourne Residence	005
Saint Charles Residence	020
Parkside Dr. Group Home	299

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Human Services (DHS) and to the director and staff members of the Re-Focus, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,


Stephen M. Cooper, Chief
Bureau of Audits

SMC:pb



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January 24, 2001

Ms. A. Kathryn Power, Director
Department of MHRH
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have examined the cost report submitted by Re-Focus, Inc., for the following MHRH funded programs for the calendar year 1998:

Programs

Adult Day Programs
Conversion Waiver Program
Waiver Resident Program
Semi-Independent Apartment Program
Residential Waiver Program

The report contained herein represents the consolidation and field audit revision report approved by your department to provide for greater and more timely audit coverage to your providers. This audit is based on the most recent year audited. For settlement purposes this report includes calendar years 1993 through 1997.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and to the Honorable Frank T. Caprio, Chairman of the Senate Finance Committee.

Ms. A. Kathryn Power, Director
Page 2
January 24, 2001

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of Re-Focus, Inc., for their assistance and cooperation during the course of this examination.

Sincerely,

A handwritten signature in cursive script that reads "Stephen M. Cooper".

Stephen M. Cooper, Chief
Bureau of Audits

SMC:pb

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

SCOPE AND PURPOSE

The purpose of this engagement was to audit the most current year cost report (1998) submitted by the provider of services funded by the Department of Human Services and the Department of Mental Health, Retardation and Hospitals and make settlements for that year and also compute settlements for all prior unaudited years. The review of prior unaudited years (1993 - 1997) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the testing of the current year accounts, the prior field audit, prior year cost reports and sampling.

By funding source the purpose of this audit was to determine:

DHS Programs

- Whether expenses were allowable in accordance with the principles of reimbursement.
- Through the verification of census records the total client days used in calculating audited per diem rates.
- Any over or under funding on behalf of the Department of Human Services.
- If the clients' clothing funds, personal needs funds, and client wages were properly maintained in accordance with the prescribed guidelines.

MHRH Programs

- Whether expenses reported per the cost reports were in accordance with the terms of the contracts.
- Whether revenues were reported accurately on the cost reports.
- Any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets.

Additionally, we have examined the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our audit of the financial records included verification of revenues and expenses through testing procedures which were deemed necessary in the circumstances.

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

BACKGROUND

Title 40.1-21-4 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health Retardation and Hospitals to be responsible for "planning and developing a complete, comprehensive and integrated statewide program for the developmentally disabled." Said programs may include but are not limited to: various type workshop activities, programs to alleviate and ameliorate developmental problems, physical activities, health consultation and transportation problems.

Re-Focus, Inc., a private not-for-profit corporation operates various state-funded programs serving the developmentally disabled in the Greater Providence area. It is governed by four officers and no more than six other members elected every two years. Daily operations are directed by a full-time administrator.



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Ms. Christine Ferguson, Director
Department of Human Services
600 New London Avenue
Cranston, Rhode Island 02920

Dear Ms. Ferguson:


We have performed the procedures enumerated below, which were agreed to by the Department of Human Services (DHS) and Re-Focus, Inc. (provider), solely to assist the users in evaluating the provider's assertion about their compliance with DHS's Principles of Reimbursement H.I.M.-15 to the service provider cost reports, Clients' Personal Needs Funds to DHS's Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities for the calendar year 1998. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1993 through 1997 which allows us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Based on the application of the procedures referred to above, we determined a final rate settlement for the ICF/MR's for the calendar years 1993 through 1998 to provisions of DHS's Principles of Reimbursement H.I.M.-15, and determined ending client fund balances for the calendar years 1993 through 1998 with provisions of DHS's Principles for Skilled Nursing and Intermediate Care Facilities, and Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of DHS and the provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
May 19, 2000

SMC:pb



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Department of Administration
BUREAU OF AUDITS
One Capitol Hill
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Ms. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
600 New London Avenue
Cranston, Rhode Island 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Re-Focus Inc. (provider), solely to assist the users in evaluating the provider's assertion about their compliance to the financial terms and conditions contained within the Day Program Service for Developmentally Disabled Citizens, Waiver and Semi-Independent contracts during the calendar year 1998. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1993 through 1997 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports for calendar years 1993 through 1997 based on that strategic plan. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

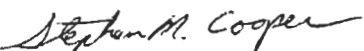
For purposes of this engagement we made a determination as to the reasonableness of allowable costs based on the "prudent person rule," accuracy of reported activities and if any overall surplus funding was provided by MHRH.

Based on the application of the procedures referred to above, we became aware of an overall surplus by MHRH for the calendar year(s) 1993 through 1998, of \$335,692. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion of assertion by the provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
May 19, 2000

SMC:pb

RE-FOCUS, INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1998

Account Description	Total	Administrative	Adult Day Programs	Conversion Waiver Program	Waiver Resident Program	Semi-Independent Apartment Program	Parenting	Agency
<u>Revenues</u>								
State of Rhode Island								
Department of MHRH	\$ 5,220,176	-	177,526	1,217,484	3,549,086	254,070	22,010	-
Social Security Inc.	269,378	-	-	-	269,378	-	-	-
Client Excess Earnings	1,137	-	-	-	1,137	-	-	-
Interest Income	48,845	-	-	-	-	-	-	48,845
Other	5,244	-	-	4,745	499	-	-	-
Provider Tax Income	243,109	-	-	-	243,109	-	-	-
Vocational Rehab	2,220	-	2,220	-	-	-	-	-
PRB Distribution	66,990	-	-	-	-	-	-	66,990
Miscellaneous	50,799	-	-	-	-	-	-	50,799
Total Revenues	\$ 5,907,898	0	179,746	1,222,229	4,063,209	254,070	22,010	166,634
<u>Expenses</u>								
Wages	\$ 3,507,709	321,252	58,478	759,924	2,214,748	146,063	7,244	-
Retirement	80,882	80,882	-	-	-	-	-	-
Health Insurance	524,656	34,897	7,811	113,147	343,583	23,791	1,427	-
Other Fringes	59	-	-	-	-	-	-	59
Physical Therapist	600	-	-	-	600	-	-	-
Occup. Therapist	250	-	-	-	250	-	-	-
Speech Therapist	1,100	-	-	-	1,100	-	-	-
Psychologist	50,521	-	-	7,221	43,144	156	-	-
Other	135	-	-	-	135	-	-	-
Office Supplies	22,993	22,443	-	-	-	-	-	550
Telephone	18,694	10,613	132	1,535	6,392	22	-	-
Travel-Motor Vehicle	54,084	1,133	-	3,713	48,869	369	-	-
Travel-Employees	32,912	780	1,944	20,271	1,405	7,904	595	13
Conventions, Meetings	17,365	2,878	-	2,116	8,985	1,727	34	1,625
ADV.- Help Wanted	2,205	2,205	-	-	-	-	-	-
Organizational Dues	19,549	19,291	-	-	-	-	-	258
Accounting & Auditing	35,311	35,311	-	-	-	-	-	-
Legal Services	10,100	10,100	-	-	-	-	-	-
Payroll Taxes	354,958	32,509	5,918	76,900	224,117	14,781	733	-
Insurance	88,904	88,904	-	-	-	-	-	-
Miscellaneous	38,723	15,188	11,434	4,860	1,296	-	-	5,945
HCPA - Provider Tax	248,115	-	-	-	248,115	-	-	-
Real Estate - Personal								
Property Taxes	22,421	6,254	-	-	15,453	-	-	714
Rent/Lease of Building	1,462	-	-	1,462	-	-	-	-
Lease of Equipment	1,631	1,631	-	-	-	-	-	-
Lease of Vehicles	1,678	2,057	-	-	-	-	-	(379)
Amortization of								
Leasehold Impr.	507	-	-	-	507	-	-	-
Building Depreciation	9,760	5,328	-	-	4,432	-	-	-
Building Impr Depr.	11,284	4,538	-	-	6,746	-	-	-

RE-FOCUS, INC.
STATEMENT OF REVENUE AND EXPENSES - TOTAL
CALENDAR YEAR 1998

Account Description	Total	Administrative	Adult Day Programs	Conversion Waiver Program	Waiver Resident Program	Semi-Independent Apartment Program	Parenting	Agency
Equipment Depr.	15,339	14,156	-	-	1,103	-	80	-
Motor Vehicle Depr.	49,872	2,181	-	-	47,691	-	-	-
Fuel	8,766	36	-	-	8,730	-	-	-
Gas	5,849	2,238	-	-	3,611	-	-	-
Electricity	26,896	2,258	-	-	24,638	-	-	-
Water & Sewerage	6,728	346	-	-	6,382	-	-	-
Plant Supplies	6,318	563	-	-	5,755	-	-	-
Purchased Services & Repairs	30,508	12,408	-	373	17,727	-	-	-
Food & Kitchen Suppl.	128,660	-	-	4,066	124,594	-	-	-
Linen, Laundry Suppl. & Service	1,889	-	-	-	1,889	-	-	-
Housekeeping Supplies	35,220	-	-	-	35,220	-	-	-
Pharmacy Supplies	32,509	-	-	-	32,509	-	-	-
Recreational Supplies	25,851	-	1,064	6,346	18,039	124	278	-
Subtotal	\$ 5,532,973	732,380	86,781	1,001,934	3,497,765	194,937	10,391	8,785
Allocation of Administrative Expenses		(732,380)	13,237	182,551	501,864	33,088	1,640	-
Total Expenses	\$ 5,532,973	-	100,018	1,184,485	3,999,629	228,025	12,031	8,785
Excess (Deficiency) of Revenue Over Expenses	\$ 374,925	-	79,728	37,744	63,580	26,045	9,979	157,849

See accompanying notes to financial information.

EXHIBIT B

RE-FOCUS, INC.
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1998

Account Description	TOTAL ADULT DAY PROGRAMS	ADULT HABILITATION	SPECIAL ADULT DEVELOPMENT	LEVEL 7&8
<u>Revenues</u>				
State of Rhode Island				
Department of MHRH				
DHS Rehab. Option	\$ 177,526	105,651	54,419	17,456
Social Security Income	-	-	-	-
Client Excess Earnings	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Provider Tax Income	-	-	-	-
Vocational Rehab	2,220	2,220	-	-
Miscellaneous	-	-	-	-
Total Revenues	\$ 179,746	107,871	54,419	17,456
<u>Expenses</u>				
Wages	\$ 58,478	42,373	15,503	602
Health Insurance	-	-	-	-
Physical Therapist	7,811	4,405	3,344	62
Occupational Therapist	-	-	-	-
Speech Therapist	-	-	-	-
Psychologist	-	-	-	-
Other	-	-	-	-
Office Supplies	-	-	-	-
Telephone	132	132	-	-
Travel - Motor Vehicle	-	-	-	-
Travel - Employees	1,944	1,749	170	25
Conventions, Meetings	-	-	-	-
Adv.-Help Wanted	-	-	-	-
Organizational Dues	-	-	-	-
Accounting & Auditing	-	-	-	-
Legal Services	-	-	-	-
Payroll Taxes	5,918	4,288	1,569	61
Insurance	-	-	-	-
Miscellaneous	11,434	2,387	9,044	3
HCPA - Provider Tax	-	-	-	-
Real Estate -				
Personal Prop. Taxes	-	-	-	-
Rent/Lease of Building	-	-	-	-
Lease of Equipment	-	-	-	-
Lease of Vehicles	-	-	-	-
Amortization of	-	-	-	-
Leasehold Improv.	-	-	-	-
Building Depreciation	-	-	-	-
Equipment Depreciation	-	-	-	-
Motor Vehicle Depr.	-	-	-	-
Fuel	-	-	-	-
Gas	-	-	-	-
Electricity	-	-	-	-
Water & Sewerage	-	-	-	-
Plant Supplies	-	-	-	-
Purchased Services	-	-	-	-
& Repairs	-	-	-	-
Food & Kitchen Supplies	-	-	-	-
Linen, Laundry Supplies	-	-	-	-
& Service	-	-	-	-
Housekeeping Supplies	-	-	-	-
Pharmacy Supplies	-	-	-	-
Recreational Supplies	1,064	761	292	11
Subtotal	86,781	56,095	29,922	764
Allocation of Administrative Expenses	13,237	9,615	3,507	115
Total Expenses	\$ 100,018	65,710	33,429	879

See accompanying note to financial information.

RE-FOCUS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1998

ACCOUNT DESCRIPTION	COMBINED	TOTAL WAIVER PROGRAM STATE	CLIENT	ONLEY ARNOLD STATE	CLIENT	BEECHNUT STATE	CLIENT	COOKE DRIVE STATE	CLIENT	CUMBERLAND ST STATE	CLIENT
Revenues											
State of Rhode Island											
Department of MHRH	\$ 3,549,086	3,549,086	-	496,489	-	453,382	-	496,251	-	323,534	-
Social Security Income	269,378	19,764	249,614	740	35,051	749	30,123	979	35,130	3,131	21,932
Client Excess Earnings	1,137	1,137	-	-	-	-	-	-	-	1,137	-
Other	499	499	-	-	-	-	-	-	-	-	-
Provider Tax Income	243,109	243,109	-	33,871	-	30,936	-	33,871	-	22,252	-
Total Revenues	<u>\$ 4,063,209</u>	<u>3,813,595</u>	<u>249,614</u>	<u>531,100</u>	<u>35,051</u>	<u>485,067</u>	<u>30,123</u>	<u>531,101</u>	<u>35,130</u>	<u>350,054</u>	<u>21,932</u>
Expenses											
Wages	\$ 2,214,748	2,214,748	-	244,592	-	354,737	-	290,813	-	200,470	-
Health Insurance	343,583	343,583	-	30,213	-	57,415	-	40,217	-	36,196	-
Physical Therapist	600	600	-	-	-	-	-	-	-	-	-
Occup. Therapist	250	250	-	-	-	-	-	-	-	-	-
Speech Therapist	1,100	1,100	-	250	-	100	-	200	-	50	-
Psychologist	43,144	43,144	-	7,816	-	301	-	301	-	3,211	-
Other	135	135	-	-	-	80	-	-	-	-	-
Telephone	6,392	6,392	-	554	-	792	-	811	-	526	-
Travel - Motor Vehicle	48,869	48,869	-	11,002	-	4,048	-	7,231	-	5,311	-
Travel - Employees	1,405	1,405	-	158	-	411	-	426	-	-	-
Conventions, Meetings	8,985	8,985	-	1,033	-	1,145	-	476	-	1,359	-
Payroll Taxes	224,117	224,117	-	24,751	-	35,894	-	29,429	-	20,286	-
Miscellaneous	1,296	1,296	-	-	-	1,129	-	-	-	-	-
HCPA - Provider Tax	248,115	248,115	-	34,688	-	30,825	-	38,092	-	22,532	-
Real Estate-											
Personal Prop. Taxes	15,453	-	15,453	-	1,574	-	416	-	1,893	-	520
Amortization of											
Leasehold Improv.	507	-	507	-	113	-	123	-	-	-	22
Building Depreciation	4,432	-	4,432	-	-	-	-	-	-	-	-
Building Impr. Depr.	6,746	-	6,746	-	-	-	-	-	-	-	-
Equipment Depr.	1,103	-	1,103	-	121	-	87	-	20	-	60
Motor Vehicle Depr.	47,691	47,691	-	8,499	-	10,089	-	2,149	-	2,382	-
Fuel	8,730	-	8,730	-	2,090	-	1,280	-	1,539	-	-
Gas	3,611	-	3,611	-	-	-	-	-	-	-	1,389
Electricity	24,638	-	24,638	-	3,229	-	4,041	-	3,091	-	1,633
Water & Sewerage	6,382	-	6,382	-	1,072	-	523	-	-	-	1,001
Plant Supplies	5,755	-	5,755	-	933	-	756	-	619	-	194
Purchased Services											
& Repairs	17,727	-	17,727	-	3,975	-	2,765	-	3,103	-	1,880
Food & Kitchen Suppl.	124,594	-	124,594	-	15,367	-	18,429	-	13,215	-	11,276
Linen, Laundry Suppl.											
& Service	1,889	-	1,889	-	211	-	734	-	222	-	309
Housekeeping Supplies	35,220	-	35,220	-	3,275	-	6,215	-	4,252	-	3,275
Pharmacy Supplies	32,509	-	32,509	-	2,823	-	10,524	-	3,572	-	2,551
Recreational Supplies	18,039	-	18,039	-	2,180	-	1,553	-	997	-	2,354
Subtotal	<u>\$ 3,497,765</u>	<u>3,190,430</u>	<u>307,335</u>	<u>363,556</u>	<u>36,963</u>	<u>496,966</u>	<u>47,446</u>	<u>410,145</u>	<u>32,523</u>	<u>292,323</u>	<u>26,464</u>
Allocation of Administrative											
Expenses	501,864	501,864	-	55,430	-	80,373	-	65,893	-	45,418	-
Total Expenses	<u>\$ 3,999,629</u>	<u>3,692,294</u>	<u>307,335</u>	<u>418,986</u>	<u>36,963</u>	<u>577,339</u>	<u>47,446</u>	<u>476,038</u>	<u>32,523</u>	<u>337,741</u>	<u>26,464</u>
Excess (Deficiency) of											
Revenues over Expenses	<u>\$ 63,580</u>	<u>121,301</u>	<u>(57,721)</u>	<u>112,114</u>	<u>(1,912)</u>	<u>(92,272)</u>	<u>(17,323)</u>	<u>55,063</u>	<u>2,607</u>	<u>12,313</u>	<u>(4,532)</u>

See accompanying notes to financial information.

RE-FOCUS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1998

ACCOUNT DESCRIPTION	BOURNE		EAST SIDE		PARKSIDE		SAMPSON		BELLEVUE	
	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT
<u>Revenues</u>										
State of Rhode Island										
Department of MHRH	\$ 321,954	-	330,528	-	487,436	-	318,792	-	320,720	-
Social Security Inc	1,640	23,173	306	22,406	6,079	35,116	5,402	23,431	738	23,252
Other	-	-	499	-	-	-	-	-	-	-
Provider Tax Income	22,044	-	22,536	-	33,617	-	22,084	-	21,898	-
Total Revenues	<u>\$ 345,638</u>	<u>23,173</u>	<u>353,869</u>	<u>22,406</u>	<u>527,132</u>	<u>35,116</u>	<u>346,278</u>	<u>23,431</u>	<u>343,356</u>	<u>23,252</u>
<u>Expenses</u>										
Wages	\$ 196,303	-	187,510	-	314,700	-	226,555	-	199,068	-
Health Insurance	34,267	-	34,536	-	38,038	-	32,302	-	40,399	-
Physical Therapist	600	-	-	-	-	-	-	-	-	-
Occup. Therapist	250	-	-	-	-	-	-	-	-	-
Speech Therapist	50	-	150	-	250	-	-	-	50	-
Psychologist	2,541	-	7,841	-	4,761	-	4,521	-	11,851	-
Other	-	-	-	-	-	-	-	-	55	-
Telephone	584	-	695	-	1,035	-	746	-	649	-
Travel-Motor Vehicle	3,357	-	2,479	-	3,173	-	6,814	-	5,454	-
Travel-Employees	410	-	-	-	-	-	-	-	-	-
Conventions, Meetings	1,011	-	621	-	1,161	-	1,094	-	1,085	-
Payroll Taxes	19,865	-	18,975	-	31,846	-	22,926	-	20,145	-
Miscellaneous	-	-	102	-	65	-	-	-	-	-
HCPA-Provider Tax	21,293	-	23,087	-	32,441	-	22,682	-	22,475	-
Real Estate -										
Personal Prop. Taxes	-	1,140	-	1,064	-	1,159	-	3,761	-	3,926
Amortization of Leasehold Impr.	-	40	-	67	-	142	-	-	-	-
Building Depreciation	-	-	-	-	-	-	-	2,412	-	2,020
Building Impr Depr.	-	-	-	-	-	-	-	2,857	-	3,889
Equipment Depr.	-	62	-	18	-	181	-	318	-	236
Motor Vehicle Depr.	1,413	-	4,737	-	11,540	-	4,523	-	2,359	-
Fuel	-	1,054	-	854	-	-	-	844	-	1,069
Gas	-	-	-	-	-	1,593	-	629	-	-
Electricity	-	2,525	-	2,638	-	2,888	-	2,353	-	2,240
Water & Sewerage	-	86	-	1,003	-	975	-	1,486	-	236
Plant Supplies	-	1,307	-	385	-	855	-	498	-	208
Purchased Services & Repairs	-	1,298	-	1,377	-	2,355	-	-	-	974

RE-FOCUS, INC.
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1998

ACCOUNT DESCRIPTION	BOURNE		EAST SIDE		PARKSIDE		SAMPSON		BELLEVUE	
	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT	STATE	CLIENT
Expenses - (Cont'd)										
Food & Kitchen Suppl.	-	9,978	-	14,312	-	16,216	-	13,591	-	12,210
Linen, Laundry Suppl. & Service	-	92	-	162	-	21	-	6	-	132
Housekeeping Supplies	-	1,525	-	4,007	-	4,113	-	5,321	-	3,237
Pharmacy Supplies	-	1,060	-	2,558	-	6,987	-	1,092	-	1,342
Recreational Supplies	-	1,520	-	2,482	-	1,609	-	2,678	-	2,666
Subtotal	\$ 281,944	21,687	280,733	30,927	439,010	39,094	322,163	37,846	303,590	34,385
Allocation of Administrative Expenses	44,457	-	42,477	-	71,323	-	51,357	-	45,136	-
Total Expenses	\$ 326,401	21,687	323,210	30,927	510,333	39,094	373,520	37,846	348,726	34,385
Excess (Deficiency) of Revenues over Expenses	\$ 19,237	1,486	30,659	(8,521)	16,799	(3,978)	(27,242)	(14,415)	(5,370)	(11,133)

See accompanying note to financial information.

RE-FOCUS, INC.
CALENDAR YEAR 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight line method which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15.

Note 2 - Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for ICF/MR facilities is based solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

FINDINGS AND RECOMMENDATIONS

Status of Prior Audit Recommendations Calendar Years 1987 - 1992

Recommendation for DHS

1. The amount of \$1,052.03 should be recovered from Re-Focus, Inc., by the Department of Human Services in accordance with its current funding policy.

Complied.

Recommendations for MHRH

2. The amount of \$83,599.00 should be recovered from the Re-Focus, Inc., by the Department of MHRH as excess funding or reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions.

Complied.

3. That the Department of MHRH initiate steps to recover from Re-Focus, Inc., the \$7,251 considered to be excess funding in the Semi-Independent Residential Program as defined by the contracts, for the calendar years 1986 and 1985.

Complied.

RE-FOCUS, INC.
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1998

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

DHS Programs

Amount Due to DHS

As a result of our audit it has been determined that a net amount of \$227 is due to the Department of Human Services from Re-Focus, Inc., due to excess per diem rates for calendar year 1993.

This settlement, summarized by facility, is as follows:

St. Charles	\$ 114
Bourne	41
Parkside	<u>72</u>
Total Due to DHS	\$ <u>227</u>

Recommendation

1. The amount of \$227 should be recovered from Re-Focus, Inc., by the Department of Human Services in accordance with its current funding policy.

MHRH Programs

Determination of Excess Funding

The Department of MHRH and the providers have agreed "that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred." Any net surpluses by each particular contract year incurred by

the provider "shall be returned to the State of Rhode Island in such manner as it may prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island." This policy is applicable to all MHRH contracts beginning with calendar year 1986.

As a result of our audit it has been determined that there are excess funds in the amount of \$335,692 upon the aforementioned policy and the individual contract requirements. The following is a summary of the individual program excesses or deficits and combined results for each year.

	<u>Net Excess</u>	<u>Conversion Waiver</u>	<u>Day Program</u>	<u>Waiver Program</u>	<u>Semi Independent</u>
1998	\$ 141,297	37,744	77,508	-	26,045
1997	160,235	74,490	41,924	16,151	27,670
1996	<u>34,160</u>	<u>28,230</u>	<u>-</u>	<u>-</u>	<u>5,930</u>
Total	\$ <u>335,692</u>	<u>140,464</u>	<u>119,432</u>	<u>16,151</u>	<u>59,645</u>

	<u>Net Deficits</u>	<u>Conversion Waiver</u>	<u>Day Program</u>	<u>Waiver Program</u>	<u>Semi Independent</u>
1995	\$ (40,240)	1,747	(16,630)	(3,710)	(21,647)
1994	(7,554)	640	(5,115)	-	(3,079)
1993	<u>(6,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,043)</u>
Total	\$ <u>(53,837)</u>	<u>2,387</u>	<u>(21,745)</u>	<u>(3,710)</u>	<u>(30,769)</u>

Recommendation

2. The amount of \$335,692 should be recovered from Re-Focus, Inc., by the Department of MHRH as excess funding or be reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.

Details pertaining to this settlement by program are as follows:

Day Programs

The contract for the fiscal year ended June 30, 1998 states that "if the audit or calendar year cost report reveals that the total combined amounts of the payment under this Agreement is greater than the total combined reasonable allowable cost for the above specified program, the parties agree to recognize that the excess funding is that of other income over and above the Department funding at the discretion of the Department. However, should the excess funding be greater than other income, the Provider agrees to reimburse to the Department the difference of excess funding." Similar provisions were also in the contracts that covered the years 1993-1997.

The result of this provision is summarized as follows:

<u>Year</u>	<u>Total Excess Funding</u>	<u>Excess Attributable to Non-MHRH Sources</u>	<u>Net Excess</u>
1998	\$ 79,728	2,220	77,508
1997	42,324	400	41,924
1996	5,846	37,651	-

Waiver Residential Program

The Waiver contract for the fiscal year ended June 30, 1998 stated that "if the audit or calendar year cost report reveals total payment to the Provider under the Agreement is greater than one hundred five (105%) percent of total allowable cost for the above specified programs covered by this agreement the parties agree that the excess funding over one hundred five (105%) percent will be returned to the Department by the Provider." This provision was also in the contracts for 1993 through 1997.

The results of this provision is summarized as follows:

<u>Period</u>	<u>Total MHRH Payments to Provider</u>	<u>105% of Allowable Expenses</u>	<u>Net Excess</u>
1998	\$ 3,813,096	3,876,909	-
Prior Years			
1997	3,651,305	3,635,154	16,151
1996	3,495,342	3,603,729	-
1995	-	-	-
1994	2,113,798	2,143,556	-
1993	2,970,900	3,006,478	-

Semi-Independent Living Program

The contract for the fiscal year ended June 30, 1998 states that "The parties to this contract agree that in each particular contract year, any surplus incurred by the provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred. In each particular contract year, where a Provider has an overall surplus, after application of all the above-referred program surplus/loss offsets, this surplus shall be due and owing to the State of Rhode Island and either shall be returned to the State of Rhode Island in such manner as it may prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island." This contract provision is retroactive back to 1994.

We have determined that excess funding by the Department of Mental Health, Retardation and Hospitals of Re-Focus, Inc., for the period under review totaled \$59,645 in 1998 through 1996. For the years, 1995 through 1993, the program operated with deficiencies of revenue over expenses. The excess is summarized as follows:

<u>Year</u>	<u>Total Excess</u> <u>Funding</u>	<u>Excess</u> <u>Attributable to</u> <u>Non-MHRH Sources</u>	<u>Net</u> <u>Excess</u>
1998	\$ 26,045	-	26,045
1997	27,670	-	27,670
1996	<u>6,381</u>	<u>451</u>	<u>5,930</u>
Total	\$ <u>60,096</u>	<u>451</u>	<u>59,645</u>